

▶ CORPORATE  
REVENUES AND  
EXPENDITURES

AS APPROVED ON DECEMBER 10, 2019



## CORPORATE REVENUES AND EXPENDITURES

### Overview

The Corporate Revenues & Expenses budget includes items which cannot be easily associated with specific departments or are corporation-wide in nature. The major items that have been included under this category are discussed in greater detail.

### 2020 to 2022 operating budget overview

\$000's	Net Actual Results		2019	2019	Approved Budget		
	2017	2018	Net Fcst*	Budget	2020	2021	2022
Expenditures	8,018.0	9,969.9	11,162.7	8,364.9	9,129.8	9,338.4	9,889.5
Non-Tax Revenues	(5,615.3)	(8,245.3)	(10,573.1)	(7,829.9)	(8,367.6)	(8,121.1)	(7,870.1)
<b>Net Tax Levy</b>	<b>2,402.7</b>	<b>1,724.6</b>	<b>589.6</b>	<b>535.0</b>	<b>762.2</b>	<b>1,217.3</b>	<b>2,019.4</b>
% Tax Funded	30%	17%	5%	6%	8%	13%	20%
Net Budget Change	\$	(678.1)	(1,135.0)	(54.6)	227.1	455.1	802.1
	%	(28.2%)	(65.8%)	(9.3%)	42.5%	59.7%	65.9%

\*Net forecast as of August 31, 2019

Corporate Revenues and Expenditures net operating budget was approved to increase by \$227,100 in 2020, \$455,100 in 2021 and \$802,100 in 2022. The key drivers of the 2020 net increase are the additional 0.5% of tax levy for the repayment of library square debt and the Town's usual strategic initiative pressures which are offset by increased revenues from penalties on unpaid property taxes. The multi-year budget also includes a new contingency in 2021 and 2022 to mitigate for unplanned pressures in the outer years of the budget.

### Corporate Revenues and Expenditure budget elements

The Town's corporate revenues and expenditure accounts have been grouped into the following budget elements:

- Supplementary and Other Tax Items
- Grants
- Contributions to/from Reserves
- Financial Items
- Contingencies and Other

A detailed break-down of the Town's corporate revenue and expenditure budget elements can be found on the following two pages. Each of these budget elements will now be expanded upon below.

## Supplementary and Other Tax Items

This element includes all of the Town's tax related accounts with the exception of the Town's main overall tax levy each fiscal year. These accounts include penalties on late or unpaid tax installments, supplementary tax revenues, tax payments in lieu of taxes, the Business Improvement Area (BIA) special tax levy and in-year tax adjustments.

**Penalties on Taxes** are the Town's charges of penalties and interest on late or unpaid tax installments. These penalties on taxes have increased by \$495,000 over 2019 due to the update of the Town's water collections policy to move the outstanding water account balances to the property tax account. These revenues are projected to grow by a further \$62,000 in 2021 and level off in 2022.

**Supplementary Tax** revenues are property taxes for new properties and construction which become fully assessed during the year. This may include some taxes related to prior years as supplementary taxation is retroactive to the date of occupancy. One of the Town's fiscal strategies is to reduce its reliance on supplementary taxes. This is why the net supplementary tax budget decreases from \$350,000 in 2019 to \$150,000 in 2022 which is estimated to be a sustainable over the long-term.

**Payments in Lieu of Taxes** is assessment based revenue from federal and provincial owned properties. The federal and provincial governments are not technically subject to formal property taxes; however they must remit an equal amount as though they were fully taxable. These amounts paid are referred to as Payments in Lieu of Taxes or 'PILs'. This amount is expected to increase by the same rate as the tax increase for the next three years. The larger increase in 2020 is driven by the right-sizing of this budget with the actual revenues collected in 2019.

**Business Improvement Area (BIA)** Board for the Town of Aurora was approved by Council in 2019. This board was to be funded through a special area levy of all commercial property owners and business tenants within the Aurora BIA boundary. The BIA Board must submit a business plan along with its budget to Council for its review and approval as part of its budget. Then Council approves a bylaw authorizing the special area tax levy. These collected revenues are then paid to the BIA board. The large budgeted increase in 2020 relates to the establishment of this special levy. The minor budget increases in the following years are placeholders until such time that the board brings its official 2021 and 2022 budgets to Council for its consideration.

**In-year tax adjustments** arise from notices and decisions relating to assessments and reassessments of properties within the Town's borders. Most of these decisions have a small impact on the amount of tax charged to a property and some may have a very large impact. The 2020 planned expense of \$280,000, includes only the Town's share of such tax adjustments, all of which are approved by the Municipal Property Assessment Corporation (MPAC), as part of the Ontario Assessment Review Board appeal process. The 2020 increase

### Corporate Revenues and Expenditures budget elements

\$000's	2019		2020 Approved		Net Change	
	Gross	Net	Gross	Net	\$	%
<b>Supplementary and Other Tax Items:</b>						
Penalties on Taxes	-	(900)	-	(1,395)	(495)	55.0%
Supplementary Taxes	400	(350)	400	(275)	75	(21.4%)
Payments in Lieu of Tax	-	(300)	-	(348)	(48)	15.9%
Business Improvement Area Levy	-	-	-	(41)	(41)	(100.0%)
In-Year Tax Adjustments	250	250	280	280	30	12.0%
	650	(1,300)	680	(1,779)	(479)	36.9%
<b>Grants:</b>						
Federal Gas Tax	1,695	-	1,695	-	-	-
Ontario Community Infrastructure Funding	1,101	-	1,101	-	-	-
Modernization Grant	-	-	-	(160)	(160)	(100.0%)
	2,796	-	2,796	(160)	(160)	(100.0%)
<b>Contributions to/from Reserve:</b>						
Cash-to-Capital	5,264	5,264	5,700	5,700	436	8.3%
Tax Stabilization	-	(132)	209	209	341	(258.4%)
Environmental Initiatives Reserve	20	20	20	20	-	-
Economic Initiatives Reserve	1	1	1	1	-	-
Retiree Benefits	-	-	-	-	-	-
WSIB	105	-	105	-	-	-
	5,390	5,153	6,035	5,930	777	15.1%
<b>Financial Items:</b>						
Investment Income	-	(1,600)	-	(1,600)	-	-
Debt Payments (DC Funded)	957	-	957	-	-	-
Internal Debt	290	-	290	-	-	-
Audit Fees	41	41	41	41	-	-
Leases	-	(1)	-	(1)	-	-
	1,287	(1,560)	1,287	(1,560)	-	-
<b>Contingencies and Other:</b>						
Council Contingency	10	10	10	10	-	-
Multi-Year Budget Contingency	-	-	-	-	-	-
Salary & Benefits Adjustments	48	48	119	119	72	149.9%
Cost Recovery from Water & Bldg	(1,815)	(1,815)	(2,050)	(2,050)	(235)	12.9%
Library Square Tax Funded Debt	-	-	253	253	253	100.0%
	(1,758)	(1,758)	(1,668)	(1,668)	90	(5.1%)
<b>Total</b>	<b>8,365</b>	<b>535</b>	<b>9,130</b>	<b>762</b>	<b>227</b>	<b>42.5%</b>

### Corporate Revenues and Expenditures budget elements continued

\$000's	2021 Approved		Net Change		2022 Approved		Net Change	
	Gross	Net	\$	%	Gross	Net	\$	%
<b>Supplementary and Other Tax Items:</b>								
Penalties on Taxes	-	(1,457)	(62)	4.4%	-	(1,457)	-	-
Supplementary Taxes	400	(200)	75	(27.3%)	400	(150)	50	(25.0%)
Payments in Lieu of Tax	-	(355)	(7)	2.0%	-	(362)	(7)	2.0%
Business Improvement Area Levy	-	(42)	(1)	1.9%	-	(43)	(1)	1.9%
In-Year Tax Adjustments	300	300	20	7.1%	350	350	50	16.7%
	700	(1,754)	25	(1.4%)	750	(1,662)	92	(5.3%)
<b>Grants:</b>								
Federal Gas Tax	1,695	-	-	-	1,695	-	-	-
Ontario Community Infrastructure Funding	1,101	-	-	-	1,101	-	-	-
Modernization Grant	-	-	160	(100%)	-	-	-	-
	2,796	-	160	(100%)	2,796	-	-	-
<b>Contributions to/from Reserve:</b>								
Cash-to-Capital	6,161	6,161	461	8.1%	6,701	6,701	540	8.8%
Tax Stabilization	-	(209)	(418)	(200%)	-	-	209	(100%)
Environmental Initiatives Reserve	20	20	-	-	20	20	-	-
Economic Initiatives Reserve	1	1	-	-	1	1	-	-
Retiree Benefits	-	-	-	-	-	-	-	-
WSIB	105	-	-	-	105	-	-	-
	6,287	5,973	43	0.7%	6,827	6,722	749	12.5%
<b>Financial Items:</b>								
Investment Income	-	(1,600)	-	-	-	(1,600)	-	-
Debt Payments (DC Funded)	957	-	-	-	957	-	-	-
Internal Debt	-	-	-	-	-	-	-	-
Audit Fees	41	41	-	-	41	41	-	-
Leases	-	(1)	-	-	-	(1)	-	-
	997	(1,560)	-	-	997	(1,560)	-	-
<b>Contingencies and Other:</b>								
Council Contingency	10	10	-	-	10	10	-	-
Multi-Year Budget Contingency	100	100	100	100.0%	156	156	56	56.0%
Salary & Benefits Adjustments	118	118	(1)	(0.7%)	116	116	(2)	(2.1%)
Cost Recovery from Water & Bldg	(2,180)	(2,180)	(130)	6.3%	(2,272)	(2,272)	(92)	4.2%
Library Square Tax Funded Debt	510	510	257	101.6%	510	510	-	-
	(1,441)	(1,441)	226	(13.6%)	(1,480)	(1,480)	(39)	2.7%
<b>Total</b>	<b>9,338</b>	<b>1,217</b>	<b>455</b>	<b>59.7%</b>	<b>9,889</b>	<b>2,019</b>	<b>802</b>	<b>65.9%</b>

of \$30,000 and the following increases of \$20,000 and \$50,000 in 2021 and 2022 relate to a group of commercial/non-residential assessment appeals that are presently outstanding relating to the MPAC's last assessment and anticipated appeals that are expected to arise out of MPAC's next assessment update which will take place in 2020 becoming effective in 2021 and 2022.

## Grants

This budget element captures all known grant funding that the Town expects to receive from federal, provincial and other sources. These revenues are most commonly offset by an equivalent contribution to reserve or operating budget expenditure. The two most common grants are the federal gas tax and Ontario Community Infrastructure Funding. In 2020, the Town is also budgeting the carry-over of the one-time receipt of a provincial grant in support of modernization initiatives.

**Federal Gas Tax** is a program that was initiated in 2006. The Town expects gas tax funding to remain the same as 2019 in all three budget years. When these funds are received they are contributed to the Federal Gas Tax Reserve which is used in the capital budget to pay for infrastructure repair and replacement projects.

**Ontario Community Infrastructure Funding** is a provincial grant program which was introduced in 2014 in recognition of the province's infrastructure funding gap. This program's total available funding is made available to municipalities in two components. The first is an allocation based upon a formula based on a municipality's population, its total assessment base and average household income among others. These funds are contributed to reserves and are used for repair and replacement capital project funding. The second component is allocated based upon a project specific application for which the Town has never been successful in receiving funds. This budget only includes the revenue for the first component. The province has yet to confirm the funding for the next three years so the budget is held at the 2019 amount in all three budget years.

## Contributions to/from Reserves

The corporate accounts include many of the Town's budgeted contributions to and from reserves. The major contributions to/from reserves captured under this element include the Town's cash-to-capital, tax rate stabilization, as well as the Town's annual contribution to the Green Initiatives and draw from the WSIB reserves.

**Cash-to-Capital** reserve contributions are used to fund capital projects including repair and replacement and new capital. The Town's fiscal strategy includes cash-to-capital reserve contributions increasing by 0.9 percent of the Town's overall tax levy in 2020 and 2021; and by a full one percent in 2022.

**Tax Stabilization** is used to manage year-to-year changes in the tax levy. In a multi-year

budget this helps balance the tax levy to manage multi-year initiatives. In 2020, changes include ending the contribution used in 2019 to phase in the tax levy increase related to the Central York Fire Services increase which was in excess of the planned equivalent 1.3% tax increase. This is offset with a contribution to this reserve used to balance its multi-year operating budget which is then drawn in 2021 to manage the budget pressures in this year. By 2022, no rate stabilization reserve draw nor contribution is budgeted.

**Green Initiatives** contributions to reserve remain at \$20,000 for all three years.

**Workplace Safety and Insurance Board (WSIB)** includes the costs for managing the program and an offsetting draw from reserve which is funded directly through payroll appearing in each department as part of their benefits cost. The Town of Aurora is a 'Schedule 2 Employer' which simply means that the Town pays for all of its costs incurred through the WSIB itself. To mitigate the risk of high claim costs, the Town uses a 3rd party insurance provider in order to cover any extreme costs. The WSIB Claims Costs account is used for the payment of claims and costs not covered by the Town's "excess-loss" insurance. An equal and offsetting account in the revenues section draws a contribution from the WSIB reserve in order to fund these payments. Based upon 2019 projected actuals, the budget has been maintained at \$105,000 for next three years.

## Financial Items

The primary accounts captured under the Financial Items element include the Town's investment income, external and internal debt payments and audit fees.

**Investment Income** in the operating budget remains unchanged for the next three years. The Town's investment portfolio continues to earn a competitive rate of return on its investments comprised of all of the Town's funds that are not required for the day-to-day operations. They are invested in a method which balances cash needs with market yields. All portfolio investments must comply with strict and highly conservative provincial and local regulations in an effort to protect the public funds that are being invested. The portfolio includes a mix of long and short term products to meet the Town's planned cash flow requirements.

**Debt Payments** reflect the carrying costs, principal and interest, which are fully offset by development charge reserve draws. The debt currently outstanding are for three facilities:

- Stronach Aurora Recreation Complex debenture issued through York Region with a budgeted annual debt repayment amount of \$229,300 in principal and \$91,300 interest
- Joint Operations Centre debenture issued through York Region with a budgeted annual repayment amount of \$636,000 per year
- Aurora Public Library internal debt for the building construction with a budgeted

annual repayment of \$289,500 per year which concludes at the end of 2020.

**Audit Fees** are for the Town's mandatory external audit of the financial statements and for obtaining professional advice and audit opinions as required. The Town's budgeted audit fees for the next three years remain unchanged from 2019.

### Contingencies and Other

This budget element includes Council's operating budget contingency and the Town's overall multi-year budget contingency as well as, any required corporate level salary & benefits adjustments and the overall cost recovery of various Town internal tax levy funded services from the Town's rate funded operations and Building Services.

Contingencies are used to manage unexpected costs that may arise in a given fiscal year or over the course of the Town's three year operating budget horizon. Two contingencies are included in the budget to manage these unforeseen costs, or to meet other corporate or community needs:

- **Council Contingency** of \$10,000 per year to be used only with Council approval
- **Multi-Year Budget Contingency** is included in the last two years of the budget at \$100,000 in 2021 and growing to \$156,000 in 2022. This can be used to assist the Town in its management of unforeseen pressures in the future years of the multi-year operating budget including contract renewals for goods and services such as snow removal, insurance, utilities, etc.

**Salary & Benefits Adjustments** include budget pressures relating to broader compensation adjustments of \$323,100 and benefits for early retirees of \$5,800 in 2019. These costs are offset by \$122,600 of gapping for the new positions budgeted for a full year and an overall savings of \$134,700 for employee benefits. In 2021 and 2022 the early retiree benefits are then expected to decline.

**Cost Recovery from Water & Building** are the allocation of overhead costs which are charged to the Building Services and Water Operations divisions. This allocation reduces the overall tax levy as the building and water budget are fully funded through their own fees and rates. The amount recovered reflects an estimated value of the total support services provided by: Council, the Office of the CAO, Corporate Services, Facilities Management and Finance as well as related insurance costs and for building plan and field inspections provided by Central York Fire Services. Budgeted increases to these recoveries are \$235,000, \$129,700 and \$92,200 for 2020, 2021 and 2022, respectively.

**Library square tax funded debt repayment** increases the budget by 0.5% of the previous years' tax levy in 2020 and 2021 to repay the tax funded debt to be issued for the construction of library square. These funds will be contributed to asset management reserves until the repayment of the debt begins.